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Unsecured Creditors of Sears Holdings Corporation, et al.*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

SEARS HOLDINGS CORPORATION, et al.,

Debtors.¹

:
: Chapter 11
:
: Case No. 18-23538 (RDD)
:
: (Jointly Administered)
:

**RESERVATION OF RIGHTS OF THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS IN CONNECTION WITH OMNIBUS
MOTION OF DEBTORS TO REJECT CERTAIN UNEXPIRED LEASES AND
RELATED SUBLEASES OF NONRESIDENTIAL REAL PROPERTY AND
ABANDONMENT OF PROPERTY IN CONNECTION THEREWITH**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc.(4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

The Official Committee of Unsecured Creditors (the “Creditors’ Committee”) of Sears Holdings Corporation and its affiliated debtors and debtors in possession (collectively, the “Debtors”), by and through its undersigned proposed counsel, hereby submits this reservation of rights (the “Reservation of Rights”) in connection with the *Omnibus Motion of the Debtors to Reject Certain Unexpired Leases and Related Subleases of Nonresidential Real Property and Abandonment of Property in Connection Therewith* [ECF No. 25] (the “Motion”).

1. By the Motion, the Debtors seek authority to reject 234 leases or subleases (the Leases)² that “are burdensome to the Debtors” and are, in almost all cases, for properties the Debtors contend they have vacated already. Motion ¶ 7. Significantly, the Debtors assert that “there are no current opportunities to assume and assign the Leases and that no meaningful value would be realized by the Debtors by any such assumption or assignment.” Motion ¶ 11.

2. To evaluate the relief requested by the Motion, including the statement that no meaningful value could be realized by the Debtors with respect to the Leases, the advisors to the Creditors’ Committee requested that the Debtors provide certain diligence information, including: (i) the value analysis undertaken by the Debtors for those Leases to be rejected and the encumbrances on such Leases, if any; (ii) preliminary rejection damages calculations (or sufficient information to calculate the damages independently) for the Leases to be rejected; and (iii) a list of Leases corresponding to premises from which the Debtors have not yet vacated or where keys have not yet been returned to the landlord (collectively, the “Information Requests”). The Information Requests, which presumably involve information already in the Debtors’

² On October 24, 2018, the Debtors filed a revised schedule of Leases to be rejected pursuant to the Motion that added 22 additional Leases and removed five Leases from the original schedule of 217 Leases [ECF No. 290].

possession, were sent to the Debtors' advisors as early as October 27, 2018 (*i.e.*, the same week the advisors were selected as proposed advisors to the Creditors' Committee).

3. To date, the Creditors' Committee has received only partial responses to the Information Requests. Most significantly, the Creditors' Committee has received no valuation information for at least 99 of the Leases. In fact, based on other information received by the advisors to the Creditors' Committee, many of the Leases appear to have substantial value (in the tens of millions of dollars), and the Debtors have provided no explanation as to why such value is being abandoned at this time.

4. The Creditors' Committee's objection deadline to the Motion was extended to November 12, 2018. The Creditors' Committee expects to receive the responses to the remaining requests in the near term, but, as of the date of this filing, the Creditors' Committee still has insufficient information to evaluate the Motion and the requested relief. Accordingly, the Creditors' Committee files this Reservation of Rights to preserve its rights to file an objection to the Motion, as necessary, or raise other objections during the hearing scheduled for November 15, 2018 or at any hearing on the Motion.

5. This Reservation of Rights is submitted without prejudice to, and with a full reservation of, the Creditors' Committee's rights, claims, defenses, and remedies, including the right to amend, modify, or supplement this Reservation of Rights, to seek discovery, to raise additional objections and to introduce evidence at any hearing relating to the Motion, and without in any way limiting any other rights of the Creditors' Committee to further object to the Motion, on any grounds, as may be appropriate.

New York, New York
Dated: November 12, 2018

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